



March 3, 2025

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Dear Chair Meek and Members of the Senate Finance & Revenue Committee,

The Oregon State Chamber of Commerce (OSCC) **SUPPORTS SB 381 and SB 490**, which increases the CAT tax exemption for small businesses from a \$1 million exemption to a \$5 million exemption.

Currently, small businesses must register with the Department of Revenue if they surpass \$750,000 in gross sales and become eligible to pay the CAT tax at \$1 million in gross sales. In all practicality, due to the 35% labor cost or COGS deduction, most small businesses are paying the CAT tax at around \$1.5 million in gross sales.

OSCC supports this legislation for several reasons:

1. Most people believe only large corporations pay the CAT tax. This is obviously not true, and we believe voters would be aghast to know that very small businesses are paying the CAT tax down to their first \$1 million in sales. These are very small businesses – often just a couple of employees.

The effect of 4 years of significant inflation means that the CAT Tax is now touching even much smaller businesses.

2. The CAT tax is a significant hit to cash flow for small businesses, many of whom may not otherwise have taxable income or show any sort of profit. In other words, a small business with low profit margins or no profit at all will be hit hardest and may not have the ability to pass on this tax obligation as the larger corporate entities are. The CAT tax obligation is usually due in one lump sum. This is yet another example of a policy that favors large corporations over small businesses.
3. While small businesses (< \$5 million gross sales) represent over 70% of all CAT Tax filers, they constitute under 7% of all CAT Tax revenues. While it is unlikely that the CAT Tax is going anywhere, there is massive discontent with this tax in every local small business community across Oregon. OSCC believes it makes to get a peaceful resolution to the CAT Tax discontent in the small business community for 7-cents on the dollar.

SB 381 and SB 490 are the most pro-small business bills of the 2025 legislative session.

Respectfully,

A handwritten signature in blue ink, appearing to read "JL Wilson".

JL Wilson
Legislative Counsel